

To: John Cogan

From: Lauren Conway

Date: May 15, 2009

Small and Large Group Rate Factor Filings: Administrative Costs

As a result of the discussion at the April 21, 2009 meeting of the Health Insurance Advisory Council, UHC is submitting the following documentation for the upcoming rate factor filing, in addition to the materials requested in the letter of April 10, 2009.

1. The following table is completed:

	2009 administrative costs (\$ pmpm) as approved in 2008 rate filing by OHIC	2010 administrative costs (\$ pmpm) as requested in current rate factor filing	% change requested
Small Group	75.30	78.32	3.8%
Large Group	69.20	71.54	3.3%

2. Provided is a spreadsheet in the following format, detailing the above 2009 approved and 2010 requested small and large group administrative costs pmpm, allocated among the NAIC-approved administrative cost categories. There are no significant changes from last year's filing that need to be explained. All categories except brokers and tax are allocated based on the percent to total from 2008.

	2009 Approved		2010 Submitted	
	Small Group	Large Group	Small Group	Large Group
Total Administrative Cost pmpm	75.30	69.20	78.32	71.54
Breakdown of administrative costs (\$ pmpm)				
a. Payroll and benefits	32.38	29.76	32.11	29.33
b. Outsourced Services (EDP, claims etc.)	-	-	-	-
c. Auditing and consulting	4.52	4.15	5.09	4.65
d. Commissions	12.05	11.07	14.49	13.24
e. Marketing and Advertising	2.26	2.08	1.96	1.79
f. Legal Expenses	2.26	2.08	2.35	2.15
g. Taxes, Licenses and Fees	7.91	7.27	9.40	8.59
h. Reimbursements by Uninsured Plans	-	-	-	-
i. Other Admin Expenses	13.93	12.80	12.92	11.80

3. The spreadsheet below is in the following format, detailing actual calendar year 2005-2008 fully insured commercial administrative costs, in accordance with the following table. This is consistent with the annual statement filings to OHIC for administrative costs, providing additional detail on the components of administrative costs using the categories defined by NAIC and as allocated to commercially insured business only.

Fully Insured Commercial Administrative Cost History				
	2005	2006	2007	2008
Total Administrative Cost	40,407,210.00	40,745,706.00	36,267,876.00	29,619,217.00
Total Member Months	987,902.00	799,482.00	677,015.00	532,154.00
Administrative Cost pmpm	40.9020	50.9651	53.5703	55.6591
Breakdown of administrative costs (\$ pmpm)				
a. Payroll and benefits	17.6176	25.4734	23.5053	24.3788
b. Outsourced Services (EDP, claims etc.)	1.2051	2.2814	0.2595	0.0620
c. Auditing and consulting	0.9014	1.3642	2.3429	3.5806
d. Commissions	8.6719	8.2456	8.1688	8.9239
e. Marketing and Advertising	2.3179	1.3103	4.3112	1.6341
f. Legal Expenses	(0.1833)	0.0819	0.4148	0.1663
g. Taxes, Licenses and Fees	2.8388	3.4686	5.8418	6.0473
h. Reimbursements by Uninsured Plans	0.0000	0.0000	0.0000	0.0000
i. Other Admin Expenses	7.5328	8.7398	8.7260	10.8661

If there are any questions, please contact Lauren Conway at 401/732-7553.